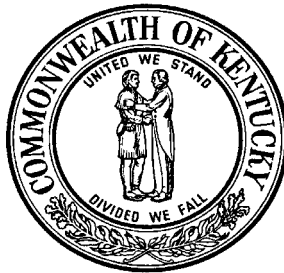


**REPORT OF THE AUDIT OF THE  
CLARK COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLARK COUNTY FISCAL COURT**

**June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Clark County Fiscal Court for fiscal year ended June 30, 2004.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clark County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$6,322,829 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,554,270 in its governmental activities as of June 30, 2004, with total net assets of \$6,090,739. In its enterprise fund, total net cash and cash equivalents were \$203,886 with total net assets of \$232,090. The fiscal court had total debt principal as of June 30, 2004 of \$4,793,000 with \$360,000 due within the next year.

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
CLARK COUNTY OFFICIALS .....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	13
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	16
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	24
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS .....	29
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	33
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS .....	37
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	40
NOTES TO FINANCIAL STATEMENTS.....	43
BUDGETARY COMPARISON SCHEDULES .....	57
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	60
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	63
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS .....	67
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	71
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable John W. Myers, Clark County Judge/Executive  
Members of the Clark County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Clark County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Clark County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable John W. Myers, Clark County Judge/Executive  
Members of the Clark County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clark County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2004, on our consideration of Clark County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
December 13, 2004



CLARK COUNTY OFFICIALS

For The Year Ended June 30, 2004

**Fiscal Court Members:**

John W. Myers	County Judge/Executive
Clifton R. Smith	Magistrate
Gerald Rogers	Magistrate
Billy Thomas	Magistrate
Joe McCord	Magistrate
Pamela Blackburn	Magistrate
Will Richardson	Magistrate
John Henry Ramsey	Magistrate

**Other Elected Officials:**

Gardner Wagers	County Attorney
Bobby Stone	Jailer
Anita S. Jones	County Clerk
David Hunt	Circuit Court Clerk
Ray Caudill	Sheriff
Karen Bushart	Property Valuation Administrator
David Jacobs	Coroner

**Appointed Personnel:**

Jean Logsdon	County Treasurer
--------------	------------------

# JOHN W. MYERS

*Clark County Judge/Executive*

**FISCAL COURT MAGISTRATES**  
PAMELA BLACKBURN  
JOE McCORD, JR.  
JOHN HENRY RAMSEY  
WILL RICHARDSON  
JERRY ROGERS  
CLIFTON RICHARD SMITH  
BILLY C. THOMAS



## **CLARK COUNTY COURT HOUSE**

34 SOUTH MAIN - ROOM 103  
WINCHESTER, KENTUCKY 40391  
Ph: 859-745-0200 • Fax: 859-737-5678

## **Management's Discussion and Analysis**

**June 30, 2004**

The financial management of Clark County, Kentucky offers readers of Clark County's financial statements this narrative overview and analysis of the financial activities of Clark County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights**

- The assets of Clark County exceeded its liabilities at the close of the June 30, 2004 fiscal year by \$6,322,829 (net assets). Of this amount, \$1,758,156 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, Clark County governmental funds reported combined ending fund balances of \$1,554,270. Of this amount, \$1,435,668 is available for spending at the government's discretion (unreserved fund balance).
- At the close of the current fiscal year, unreserved fund balance for the General Fund was \$690,139, which is approximately 14.2% of total General Fund annual expenditures.
- Clark County's total indebtedness at the close of fiscal year June 30, 2004 was \$4,793,000, a decrease from the previous fiscal year. This decrease reflects the regularly scheduled payments on financing obligations and revenue bonds. Principal payments on the revenue bonds are scheduled to be completed in fiscal year 2016.

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Clark County's basic financial statements. Clark County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



**Clark County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

Overview of the Financial Statements (Continued)

**GASB 34** requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of Clark County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on Clark County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Clark County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result form a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary funds.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from fees and charges (business-type activities). Clark County's governmental activities include general government, protection to persons and property, roads, recreation and culture, social services, general health and sanitation, pupil transportation, debt service, and capital projects. The County has one business type activity – operation of a jail canteen. The County also has a Public Properties Corporation, which is a governmental type fund.

The government-wide financial statements include not only Clark County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Clark County has one such entity, the Public Properties Corporation.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Clark County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Clark County can be divided into two broad categories: governmental funds and proprietary funds.

**Clark County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Clark County maintains seven individual governmental funds. Information is presented separately in the fund financial statements for the General Fund, Road and Bridge Fund, Jail Fund, and the Public Properties Corporation Fund, all of which are considered major funds by the County. The Local Government Economic Assistance Fund, State Grants Fund and Special Projects Fund are considered to be non-major funds and are presented together in the fund financial statements.

Clark County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund, and Jail Fund to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Jail Canteen Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Clark County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Table 1  
Clark County's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
<b>Assets:</b>						
Current and Other Assets	1,862,798	1,185,874	185,989	203,886	2,048,787	1,389,760
Public Properties Corporation	368,466	368,396			368,466	368,396
Capital Assets	9,360,696	9,329,469	18,150	28,204	9,378,846	9,357,673
Total Assets	11,591,960	10,883,739	204,139	232,090	11,796,099	11,115,829
<b>Liabilities:</b>						
Current and Other Liabilities	346,000	360,000			346,000	360,000
Long-term Liabilities	4,793,000	4,433,000			4,793,000	4,433,000
Total Liabilities	5,139,000	4,793,000	0	0	5,139,000	4,793,000
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	4,221,696	4,536,469	18,150	28,204	4,239,846	4,564,673
Unrestricted	2,231,264	1,554,270	185,989	203,886	2,417,253	1,758,156
Total Net Assets	6,452,960	6,090,739	204,139	232,090	6,657,099	6,322,829

**Changes in Net Assets.**

Governmental Activities. Governmental activities decreased Clark County's net assets in fiscal year 2004. Key elements of this decrease are as follows:

- Capital assets decreased primarily because of current-year depreciation.
- Debt decreased due to payment of principle on revenue bonds and financing obligations.
- Governmental funds utilized prior year surplus to pay for governmental activities.

**Clark County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Clark County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

**Governmental Funds Overview.** The focus of Clark County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 2004 fiscal year, the combined ending fund balance of County governmental funds was \$1,554,270. Approximately 92.4% (\$1,435,668) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$118,602) is reserved, to indicate that it is not available for new spending because it is committed for the various encumbrances.

The County has four major governmental funds, these are 1) General Fund; 2) Road and Bridge Fund; 3) Jail Fund, and 4) Public Properties Corporation Fund. The County also has three minor funds, 1) Local Government Economic Assistance Fund; 2) State Grant Fund; and 3) Special Project Fund.

1. The General Fund is the chief operating fund of Clark County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$690,139, while total fund balance was \$750,122. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 14.2% of total General Fund expenditures for budget year ending June 30, 2004.

The fund balance of Clark County's General Fund decreased by \$384,936 during the June 30, 2004 fiscal year.

2. The Road and Bridge Fund is the fund related to County road construction and maintenance. The Road and Bridge Fund had \$141,929 in unreserved fund balance at June 30, 2004. The unreserved fund balance at the end of the previous year was \$46,239. The fiscal year 2004 expenditures for road projects were \$1,025,283.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$568, of which (\$15,980) was unreserved. The unreserved fund balance at the end of the previous year was (\$5,643), that is a decrease in unreserved fund balance of \$10,336 from the previous fiscal year.
4. The Public Properties Corporation Fund is used to account for debt service payments on the courthouse and detention facilities projects. The Public Properties Corporation Fund had a fund balance at June 30, 2004 of \$368,396. This is a decrease from the previous fiscal year-end and is due to principal and interest payments made.

**Clark County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

5. The Local Government Economic Assistance Fund had a fund balance of \$107,867, an increase of \$77,068 from the previous fiscal year end
6. The State Grant Fund is interest earned on money left over from a grant to rework the Civil War Site and Lower Howard's Creek Preserve, in Clark County. The fund balance at June 30, 2004 was \$1,317, a decrease of \$1,391 from the previous fiscal year.
7. The Special Project Fund is money left over from the sale of The Rockwell Property, a property donated to the County by a factory that had vacated the premises. The fund balance at June 30, 2004 was \$142,000, a decrease of \$493,775 from the previous fiscal year.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Clark County has one enterprise-type proprietary fund, the Jail Canteen Fund.

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2004 fiscal year amounted to \$203,886 cash balance and \$28,204 capital assets.

**General Fund Budgetary Highlights.**

The County's budget was amended during the fiscal year. Budget amendments amounted to \$339,846.

Actual revenues were \$1,142,656 less than budgeted by the Fiscal Court. This decrease was primarily due to more intergovernmental revenues expected than received during the year.

**Capital Assets and Debt Administration.**

Capital Assets. Clark County's investment in capital assets for its government type activities as of June 30, 2004, amounts to \$9,329,469 (with accumulated depreciation). This investment in capital assets includes land, buildings, and improvements to land other than buildings, equipment, vehicles and current year infrastructure additions.

Major capital asset events during the 2004 fiscal year were road-resurfacing projects.

**Clark County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

Table 2  
Clark County's Capital Assets, Net of Accumulated Depreciation

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Infrastructure		160,033				160,033
Land & Land Improvements	1,413,183	1,413,183			1,413,183	1,413,183
Building & Improvements	6,493,088	6,355,876			6,493,088	6,355,876
Other Equipment	582,047	575,461			582,047	575,461
Jail Canteen Equip.			18,150	11,904	18,150	11,904
Vehicles & Equipment	872,378	824,916			872,378	824,916
Jail Canteen Vehicles				16,300		16,300
Total Net Capital Assets	9,360,696	9,329,469	18,150	28,204	9,378,846	9,357,673

Long-Term Debt. At the end of the 2004 fiscal year, Clark County had total bonded debt outstanding of \$4,793,000. Of the total bonded indebtedness, \$2,500,000 is revenue bonds providing for debt service requirements to 2016.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects that have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners and the county road-resurfacing program, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

**Requests For Information.**

This financial report is designed to provide a general overview of Clark County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Clark County Treasurer, 34 S. Main Street, Room 103, Winchester, KY 40391.



**CLARK COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**



**CLARK COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,554,270	\$ 203,886	\$ 1,758,156
Total Current Assets	<u>1,554,270</u>	<u>203,886</u>	<u>1,758,156</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,413,183		1,413,183
Buildings	6,355,876		6,355,876
Other Equipment	575,460		575,460
Vehicles and Equipment	824,917	28,204	853,121
Infrastructure Assets - Net of Depreciation	<u>160,033</u>		<u>160,033</u>
Total Noncurrent Assets	<u>9,329,469</u>	<u>28,204</u>	<u>9,357,673</u>
Total Assets	<u>10,883,739</u>	<u>232,090</u>	<u>11,115,829</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds Payable	245,000		245,000
Financing Obligations Payable	<u>115,000</u>		<u>115,000</u>
Total Current Liabilities	<u>360,000</u>		<u>360,000</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	2,255,000		2,255,000
Financing Obligations Payable	<u>2,178,000</u>		<u>2,178,000</u>
Total Noncurrent Liabilities	<u>4,433,000</u>		<u>4,433,000</u>
Total Liabilities	<u>4,793,000</u>		<u>4,793,000</u>
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	4,536,469	28,204	4,564,673
Unrestricted	<u>1,554,270</u>	<u>203,886</u>	<u>1,758,156</u>
Total Net Assets	<u>\$ 6,090,739</u>	<u>\$ 232,090</u>	<u>\$ 6,322,829</u>

The accompanying notes are an integral part of the financial statements.

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**CLARK COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**

**CLARK COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,178,576	\$ 44,878	\$ 269,370	\$ 143,568
Protection to Persons and Property	2,957,384	628,710	508,199	
General Health and Sanitation	345,772	238,051	72,192	
Social Services	114,499		32,600	
Recreation and Culture	244,192		35,370	
Roads	715,751		959,307	249,580
Pupil Transportation	18,124			
Debt Service	253,699			
Capital Projects	332,758			
Total Governmental Activities	7,160,755	911,639	1,877,038	393,148
Business-type Activities:				
Jail Canteen	176,749	204,700		
Total Business-type Activities	176,749	204,700		
Total Primary Government	\$ 7,337,504	\$ 1,116,339	\$ 1,877,038	\$ 393,148

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,720,760)	\$	\$ (1,720,760)
(1,820,475)		(1,820,475)
(35,529)		(35,529)
(81,899)		(81,899)
(208,822)		(208,822)
493,136		493,136
(18,124)		(18,124)
(253,699)		(253,699)
(332,758)		(332,758)
(3,978,930)		(3,978,930)
	27,951	27,951
	27,951	27,951
(3,978,930)	27,951	(3,950,979)
988,458		988,458
154,327		154,327
210,703		210,703
1,672,372		1,672,372
313,746		313,746
210,632		210,632
66,471		66,471
3,616,709		3,616,709
(362,221)	27,951	(334,270)
6,452,960	204,139	6,657,099
\$ 6,090,739	\$ 232,090	\$ 6,322,829

The accompanying notes are an integral part of the financial statements.

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**CLARK COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

**CLARK COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Non- Major Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 750,122	\$ 184,000	\$ 568	\$ 368,396	\$ 251,184
Total Assets	<u>\$ 750,122</u>	<u>\$ 184,000</u>	<u>\$ 568</u>	<u>\$ 368,396</u>	<u>\$ 251,184</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 59,983	\$ 42,071	\$ 16,548	\$	\$
Unreserved:					
General Fund	690,139				
Special Revenue Funds		141,929	(15,980)		251,184
Debt Service Fund				368,396	
Total Fund Balances	<u>\$ 750,122</u>	<u>\$ 184,000</u>	<u>\$ 568</u>	<u>\$ 368,396</u>	<u>\$ 251,184</u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2004**  
**(Continued)**

<b>Total Governmental Funds</b>	
<hr/>	
\$	1,554,270
\$	1,554,270
<hr/>	

\$	118,602
	690,139
	377,133
	368,396
<hr/>	
\$	1,554,270
<hr/>	

Total Fund Balances	\$	1,554,270
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,769,088
Accumulated Depreciation		(3,439,619)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.		
Financing obligations		(2,293,000)
Bonded debt		(2,500,000)
		<hr/>
Net Assets Of Governmental Activities	\$	6,090,739
		<hr/>

The accompanying notes are an integral part of the financial statements.

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**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>
<b>REVENUES</b>				
Taxes	\$ 2,991,184	\$	\$	\$
Excess Fees	313,746			
Licenses and Permits	44,664			
Intergovernmental	953,343	1,124,891	696,926	
Charges for Services	238,496		74,628	
Miscellaneous	176,054	18,406	15,729	
Interest	47,136	7,528		2,274
Total Revenues	<u>4,764,623</u>	<u>1,150,825</u>	<u>787,283</u>	<u>2,274</u>
<b>EXPENDITURES</b>				
General Government	1,357,258			
Protection to Persons and Property	1,839,140		1,019,415	
General Health and Sanitation	339,689			
Social Services	114,499			
Recreation and Culture	239,968			
Roads	129,872	735,603		
Pupil Transportation	18,124			
Debt Service	233,664	635		365,400
Capital Projects	43,713	289,045		
Administration	561,012		178,000	
Total Expenditures	<u>4,876,939</u>	<u>1,025,283</u>	<u>1,197,415</u>	<u>365,400</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(112,316)</u>	<u>125,542</u>	<u>(410,132)</u>	<u>(363,126)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	61,500		626,136	363,056
Transfers To Other Funds	<u>(334,120)</u>		<u>(215,436)</u>	
Total Other Financing Sources (Uses)	<u>(272,620)</u>		<u>410,700</u>	<u>363,056</u>
Net Change in Fund Balances	(384,936)	125,542	568	(70)
Fund Balances - Beginning	1,135,058	58,458		368,466
Fund Balances - Ending	<u>\$ 750,122</u>	<u>\$ 184,000</u>	<u>\$ 568</u>	<u>\$ 368,396</u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 2,991,184
	313,746
	44,664
83,996	2,859,156
	313,124
	210,189
9,533	66,471
<u>93,529</u>	<u>6,798,534</u>
400	1,357,658
	2,858,555
	339,689
	114,499
1,391	241,359
8,700	874,175
	18,124
	599,699
	332,758
	739,012
<u>10,491</u>	<u>7,475,528</u>
<u>83,038</u>	<u>(676,994)</u>
	1,050,692
<u>(501,136)</u>	<u>(1,050,692)</u>
<u>(501,136)</u>	
(418,098)	(676,994)
669,282	2,231,264
<u>\$ 251,184</u>	<u>\$ 1,554,270</u>

The accompanying notes are an integral part of the financial statements.

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**CLARK COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**CLARK COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (676,994)
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	320,850
Depreciation Expense	(347,077)
Book Value of Capital Assets Sold	(5,000)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations	111,000
Bond Payments	235,000

Change in Net Assets of Governmental Activities	\$ (362,221)
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**CLARK COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**Ended June 30, 2004**



**CLARK COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 203,886
Total Current Assets	<u>203,886</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	32,667
Less Accumulated Depreciation	<u>(4,463)</u>
Total Noncurrent Assets	<u>28,204</u>
Total Assets	<u>232,090</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	28,204
Unrestricted	<u>203,886</u>
Total Net Assets	<u><u>\$ 232,090</u></u>

The accompanying notes are an integral part of the financial statements.

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**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**CLARK COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Revenues	\$ 204,700
Total Operating Revenues	<u>204,700</u>
<b>Operating Expenses</b>	
Canteen Supplies	118,065
Sales Tax	2,109
Personnel Costs	9,889
Depreciation	<u>2,613</u>
Total Operating Expenses	<u>132,676</u>
Operating Income (Loss)	<u>72,024</u>
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Refunds	(32,337)
Inmate Fees & Fines	<u>(11,736)</u>
Total Nonoperating Revenues (Expenses)	<u>(44,073)</u>
Change In Net Assets	27,951
Total Net Assets - Beginning	<u>204,139</u>
Total Net Assets - Ending	<u><u>\$ 232,090</u></u>

The accompanying notes are an integral part of the financial statements.

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**CLARK COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**

**CLARK COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Inmate Deposits	\$ 202,623
Interest Earned	2,077
Payments to Suppliers	(118,065)
Sales Tax	(2,109)
Personnel Costs	(9,889)
Net Cash Provided By Operating Activities	<u>74,637</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Refunds	(32,337)
Inmate Fees & Fines	(11,736)
Net Cash Provided By Noncapital Financing Activities	<u>(44,073)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(12,667)
Net Cash Used By Capital and Related Financing Activities	<u>(12,667)</u>
Net Increase in Cash and Cash Equivalents	17,897
Cash and Cash Equivalents - July 1, 2003	<u>185,989</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 203,886</u></u>

The accompanying notes are an integral part of the financial statements.

**CLARK COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income	\$ 72,024
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>2,613</u>
Net Cash Provided By Operating Activities	<u><u>\$ 74,637</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	43
NOTE 2.	DEPOSITS .....	48
NOTE 3.	CAPITAL ASSETS .....	49
NOTE 4.	LONG-TERM DEBT .....	50
NOTE 5.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	52
NOTE 6.	RELATED PARTY TRANSACTIONS .....	53
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM .....	53
NOTE 8.	DEFERRED COMPENSATION .....	53
NOTE 9.	INSURANCE .....	54
NOTE 10.	SOLID WASTE LANDFILL .....	54
NOTE 11.	CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS .....	54



**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Clark County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Clark County Public Properties Corporation

The Clark County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Clark County Fiscal Court is financially accountable for the component unit; therefore, management must include the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Clark County Elected Officials Not Part Of Clark County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Clark County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Clark County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, and Special Projects Fund.

**Special Revenue Funds:**

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, and Special Projects Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Clark County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government or component units as beneficiary/obligee on the bond.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,413,183	\$	\$	\$ 1,413,183
Total Capital Assets Not Being Depreciated	1,413,183			1,413,183
Capital Assets, Being Depreciated:				
Buildings	8,087,734			8,087,734
Other Equipment	986,635	77,451		1,064,086
Vehicles and Equipment	2,050,686	68,818	(90,000)	2,029,504
Infrastructure		174,581		174,581
Total Capital Assets Being Depreciated	11,125,055	320,850	(90,000)	11,355,905
Less Accumulated Depreciation For:				
Buildings	(1,594,646)	(137,212)		(1,731,858)
Other Equipment	(404,588)	(84,038)		(488,626)
Vehicles and Equipment	(1,178,308)	(111,279)	85,000	(1,204,587)
Infrastructure		(14,548)		(14,548)
Total Accumulated Depreciation	(3,177,542)	(347,077)	85,000	(3,439,619)
Total Capital Assets, Being Depreciated, Net	7,947,513	(26,227)	(5,000)	7,916,286
Governmental Activities Capital Assets, Net	\$ 9,360,696	\$ (26,227)	\$ (5,000)	\$ 9,329,469
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 20,000	\$ 12,667	\$	\$ 32,667
Total Capital Assets Being Depreciated	\$ 20,000	\$ 12,667	\$ 0	\$ 32,667
Less Accumulated Depreciation For:				
Vehicles and Equipment	(1,850)	(2,613)		(4,463)
Total Accumulated Depreciation	\$ (1,850)	\$ (2,613)	\$ 0	\$ (4,463)
Total Capital Assets, Being Depreciated, Net	18,150	10,054		28,204
Business-Type Activities Capital Assets, Net	\$ 18,150	\$ 10,054	\$ 0	\$ 28,204

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 81,906
Protection to Persons and Property	193,898
General Health and Sanitation	6,083
Recreation and Culture	2,833
Roads	<u>62,357</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 347,077</u>

Business-Type Activities

Jail Canteen	<u>\$ 2,613</u>
Total Depreciation Expense - Business Activities	<u>\$ 2,613</u>

**Note 4. Long-term Debt**

**A. Refunding Revenue Bonds (Courthouse and Detention Facilities Projects)**

On October 4, 1997, the Public Properties Corporation issued \$3,970,000 in First Mortgage Refunding Revenue Bonds for the purpose of refinancing the Court and Detention Facilities Projects prior bond issues. Principal payments are due each June 1, and interest payments are due each June 1, and December 1, with final maturity in fiscal year 2016. The amount of principal outstanding as of June 30, 2004, was \$2,500,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 245,000	\$ 119,825
2006	255,000	108,800
2007	270,000	97,325
2008	280,000	85,040
2009	290,000	72,020
2010-2014	780,000	195,250
2015-2016	<u>380,000</u>	<u>32,895</u>
Totals	<u>\$ 2,500,000</u>	<u>\$ 711,155</u>



**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Water Lines**

1. On June 18, 1993, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural waterlines. The amount of the lease was \$1,250,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2018. The outstanding principal balance as of June 30, 2004, was \$894,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 44,000	\$ 16,612
2006	46,000	15,791
2007	49,000	14,893
2008	52,000	13,963
2009	55,000	12,903
2010-2014	322,000	47,437
2015-2018	326,000	13,358
Totals	<u>\$ 894,000</u>	<u>\$ 134,957</u>

2. On October 5, 1995, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural waterlines. The amount of the lease was \$1,400,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2019. The outstanding principal balance as of June 30, 2004, was \$1,078,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 50,000	\$ 55,818
2006	52,000	53,134
2007	55,000	50,323
2008	58,000	47,353
2009	61,000	44,224
2010-2014	352,000	168,556
2015-2019	450,000	63,862
Totals	<u>\$ 1,078,000</u>	<u>\$ 483,270</u>

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Water Lines (Continued)**

3. On May 7, 2001, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in order to refinance the lease agreement originally entered into on November 1, 1990, for the expanded construction of rural waterlines. The amount of the lease was \$382,000 to be repaid in 180 monthly payments of varying amounts terminating November 1, 2015. The outstanding principal balance as of June 30, 2004, was \$321,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2005	\$ 21,000	\$ 13,895
2006	22,000	12,942
2007	23,000	11,945
2008	24,000	10,903
2009	25,000	9,816
2010-2014	141,000	31,205
2015-2016	65,000	3,156
Totals	<u>\$ 321,000</u>	<u>\$ 93,862</u>

Clark County entered into a sublease agreement with the East Clark Water District to use the waterlines. The sublease agreement requires the East Clark Water District to make all lease payments. The East Clark Water District is in substantial compliance with the terms of the sublease agreement.

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 2,735,000	\$	\$ 235,000	\$ 2,500,000	\$ 245,000
Financing Obligations	<u>2,404,000</u>		<u>111,000</u>	<u>2,293,000</u>	<u>115,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 5,139,000</u>	<u>\$ 0</u>	<u>\$ 346,000</u>	<u>\$ 4,793,000</u>	<u>\$ 360,000</u>

**Note 5. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$103,122 in interest on financing obligations and \$130,400 in interest on bonds and notes.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Related Party Transactions**

During fiscal year ended, June 30, 2004, the Clark County Fiscal Court conducted business with Laymor Paving and E&E Brothers Inc. Magistrate Gerald Rogers' brother owns Laymor Paving and E&E Brothers Inc. is partly owned by Magistrate Gerald Rogers' brother-in-law. Payments of \$7,624 were made to Laymor Paving and payments of \$36,010 were made to E&E Brothers Inc. during the fiscal year. The Clark County Ethics Board reviewed the related party transactions and ruled no ethical violation under the current ethics code had occurred.

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at 502-564-4646,

**Note 8. Deferred Compensation**

On May 23, 2001, the Clark County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky 40601-8862.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Insurance**

For the fiscal year ended June 30, 2004, Clark County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Solid Waste Landfill**

On June 4, 1998, Clark County Fiscal Court (hereinafter "County") entered into a lease agreement with Winchester Municipal Utilities (hereinafter "WMU") for the rental of county property upon which the County and WMU formerly operated landfills. The lease states, in part, "it is necessary for WMU to continue occupancy of the farm to meet post closure requirements of state and federal law." Terms of the lease, in part, "shall be twenty (20) years from the date hereof, or a minimum of two years after the landfills have closure certification from the state;" and call for a rental payment of "One Dollar (\$1.00) per year." The lease defines liabilities with regard to the maintenance of access roads, use of the property, insurance on the property, and the allocation of post closure care costs provided by WMU. The County made payments to WMU in the amount of \$92,352 during the fiscal year ended June 30, 2004, for its share of post closure care costs.

**Note 11. Changes in Accounting Principles and Prior Period Adjustments**

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental and business type activities is a net increase of \$4,221,696 and an increase of \$18,150 respectively, primarily due to capital assets previously not reported.

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**



**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 2,946,455	\$ 2,946,455	\$ 2,991,184	\$ 44,729
Excess Fees	104,708	348,708	313,746	(34,962)
Licenses and Permits	45,250	45,250	44,664	(586)
Intergovernmental Revenue	1,976,320	2,072,166	953,343	(1,118,823)
Charges for Services	296,400	296,400	238,496	(57,904)
Miscellaneous	153,300	153,300	176,054	22,754
Interest	45,000	45,000	47,136	2,136
Total Revenues	<u>5,567,433</u>	<u>5,907,279</u>	<u>4,764,623</u>	<u>(1,142,656)</u>
<b>EXPENDITURES</b>				
General Government	1,362,011	1,438,397	1,357,258	81,139
Protection to Persons and Property	1,935,101	2,128,442	1,839,140	289,302
General Health and Sanitation	400,720	423,697	339,689	84,008
Social Services	118,850	122,000	114,499	7,501
Recreation and Culture	352,753	354,643	239,968	114,675
Roads	138,000	138,000	129,872	8,128
Pupil Transportation	14,000	18,125	18,124	1
Debt Service	513,700	302,580	233,664	68,916
Capital Projects	925,000	932,229	43,713	888,516
Administration	605,955	680,847	561,012	119,835
Total Expenditures	<u>6,366,090</u>	<u>6,538,960</u>	<u>4,876,939</u>	<u>1,662,021</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(798,657)</u>	<u>(631,681)</u>	<u>(112,316)</u>	<u>519,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			61,500	61,500
Transfers To Other Funds	<u>(294,257)</u>	<u>(503,377)</u>	<u>(334,120)</u>	<u>169,257</u>
Total Other Financing Sources (Uses)	<u>(294,257)</u>	<u>(503,377)</u>	<u>(272,620)</u>	<u>230,757</u>
Net Changes in Fund Balance	(1,092,914)	(1,135,058)	(384,936)	750,122
Fund Balance - Beginning	<u>1,092,914</u>	<u>1,135,058</u>	<u>1,135,058</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 750,122</u>	<u>\$ 750,122</u>

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

<b>ROAD AND BRIDGE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,132,300	\$ 1,132,300	\$ 1,124,891	\$ (7,409)
Miscellaneous			18,406	18,406
Interest	3,494	3,494	7,528	4,034
Total Revenues	1,135,794	1,135,794	1,150,825	15,031
<b>EXPENDITURES</b>				
Roads	806,800	798,300	735,603	62,697
Debt Service	746	746	635	111
Capital Projects	360,000	394,665	289,045	105,620
Administration	26,165			
Total Expenditures	1,193,711	1,193,711	1,025,283	168,428
Excess (Deficiency) of Revenues Over Expenditures	(57,917)	(57,917)	125,542	183,459
Net Changes in Fund Balance	(57,917)	(57,917)	125,542	183,459
Fund Balance - Beginning	57,917	57,917	58,458	541
Fund Balance - Ending	\$ 0	\$ 0	\$ 184,000	\$ 184,000



**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004 (Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 472,429	\$ 472,429	\$ 696,926	\$ 224,497
Charges for Services	81,500	81,500	74,628	(6,872)
Miscellaneous	2,200	2,200	15,729	13,529
Total Revenues	<u>556,129</u>	<u>556,129</u>	<u>787,283</u>	<u>231,154</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	985,700	1,019,568	1,019,415	153
Debt Service	155,700	4		4
Administration	210,122	178,014	178,000	14
Total Expenditures	<u>1,351,522</u>	<u>1,197,586</u>	<u>1,197,415</u>	<u>171</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(795,393)</u>	<u>(641,457)</u>	<u>(410,132)</u>	<u>231,325</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	795,393	795,393	626,136	(169,257)
Transfers To Other Funds		(153,936)	(215,436)	(61,500)
Total Other Financing Sources (Uses)	<u>795,393</u>	<u>641,457</u>	<u>410,700</u>	<u>(230,757)</u>
Net Changes in Fund Balance			568	568
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 568</u>	<u>\$ 568</u>

**CLARK COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**CLARK COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**



**CLARK COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**

	<b>LGEA Fund</b>	<b>State Grant Fund</b>	<b>Special Projects Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 107,867	\$ 1,317	\$ 142,000	\$ 251,184
Total Assets	<u>\$ 107,867</u>	<u>\$ 1,317</u>	<u>\$ 142,000</u>	<u>\$ 251,184</u>
<b>FUND BALANCES</b>				
Fund Balances:				
Unreserved:				
Special Revenue Funds	\$ 107,867	\$ 1,317	\$ 142,000	\$ 251,184
Total Fund Balances	<u>\$ 107,867</u>	<u>\$ 1,317</u>	<u>\$ 142,000</u>	<u>\$ 251,184</u>

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**CLARK COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**





**CLARK COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>LGEA Fund</b>	<b>State Grant Fund</b>	<b>Special Projects Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 83,996	\$	\$	\$ 83,996
Interest	1,772		7,761	9,533
Total Revenues	<u>85,768</u>		<u>7,761</u>	<u>93,529</u>
<b>EXPENDITURES</b>				
General Government			400	400
Recreation and Culture		1,391		1,391
Roads	8,700			8,700
Total Expenditures	<u>8,700</u>	<u>1,391</u>	<u>400</u>	<u>10,491</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>77,068</u>	<u>(1,391)</u>	<u>7,361</u>	<u>83,038</u>
<b>Other Financing Sources (Uses)</b>				
Transfers To Other Funds			(501,136)	(501,136)
Total Other Financing Sources (Uses)			(501,136)	(501,136)
Net Change in Fund Balances	77,068	(1,391)	(493,775)	(418,098)
Fund Balances - Beginning	30,799	2,708	635,775	669,282
Fund Balances - Ending	<u>\$ 107,867</u>	<u>\$ 1,317</u>	<u>\$ 142,000</u>	<u>\$ 251,184</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable John W. Myers, Clark County Judge/Executive  
Members of the Clark County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clark County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 13, 2004. Clark County, Kentucky prepares its financial statements in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Clark County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
December 13, 2004

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CLARK COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**






**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**CLARK COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2004

The Clark County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
John W. Myers  
County Judge/Executive

  
\_\_\_\_\_  
Henry Branham  
County Treasurer

